

Message Text

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SUBJECT: NOTIFICATION TO GATT OF NIGERIAN TRADE RESTRICTIONS

REF: (A) LAGOS 7221, (B) STATE 139273

1. MINISTRY OF TRADE OFFICIAL HANDLING GATT MATTERS, MR. TUNDE ABOLAJI, TOLD EMBOFF JUNE 13 THAT FIRST SECRETARY FOR COMMERCIAL AFFAIRS AT NIGERIAN MISSION IN GENEVA, MR. J.A. ADEWAKUN, HAS COPY OF OFFICIAL GAZETTE DETAILING TRADE RESTRICTIONS IMPOSED APRIL 1 AND HAS BEEN AWAITING INSTRUCTIONS FROM MINISTRY OF TRADE IN LAGOS BEFORE FORMALLY LODGING GAZETTE WITH GATT SECRETARIAT. ABOLAJI AND EFFIONG TOLD EMBOFF MINISTRY OF TRADE WILL SEND ADEWAKUN LETTER OF INSTRUCTION BY END JUNE. EMBOFF OBSERVED THAT UNDER GATT A JUSTIFICATION OF RESTRICTIONS WOULD BE REQUIRED IN ADDITION TO PLAIN DESCRIPTION, AND RECOMMENDED REFERENCE TO SECTIONS B AND C OF ARTICLE 18 AS SUGGESTED REFTEL B. EFFIONG AND ABOLAJI AGREED THAT LETTER TO ADEWAKIN SHOULD INCLUDE SUCH JUSTIFICATION.

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2. IN EXPLAINING MOTIVE FOR RESTRICTIONS, ABOLAJI SAID THEY WERE IMPOSED PRIMARILY TO STEM OVERLY RAPID DRAWDOWN OF FOREIGN EXCHANGE RESERVES. ABOLAJI CONNECTED THIS WITH DECLINE IN OIL EXPORTS, BUT DID NOT MENTION PROTECTION OF DOMESTIC IMPORT SUBSTITUTION INDUSTRY WHICH REFTEL B INDICATED WAS ONE OF EXPLANATIONS OFFERED BY NIGERIAN OFFICIALS IN WASHINGTON.

COMMENT: SINCE NIGERIA HAS HAD A DEFICIT IN ITS BASIC BALANCE OF PAYMENTS FOR THE PAST TWO YEARS, AND IS LIKELY TO FACE A DEFICIT IN ITS TRADE ACCOUNT ALSO IN 1978, IT WOULD APPEAR THAT CORRECTION OF AN ADVERSE BALANCE OF PAYMENTS SITUATION WAS ONE OF PRIME MOTIVES FOR IMPOSITION OF TRADE RESTRICTIONS, AND THAT, AS STATED REFTEL B, NIGERIA SHOULD THEREFORE BE URGED TO UNDERTAKE BIENNIAL CONSULTATIONS WITH GATT BALANCE OF PAYMENTS COMMITTEE AS EXPLAINED IN PARAGRAPH THREE REFTEL B. ALTHOUGH FMG COULD BE EXPECTED TO RESIST IDEA OF PLACING ITS AFFAIRS UNDER DEGREE OF EXTERNAL CONTROL, THE EXPOSURE TO GATT OVERSIGHT WOULD BE HEALTHY TONIC. FMG AUTHORITIES ARE PERFORCE PAYING CLOSER ATTENTION TO WHAT WORLD BANK AND COMMERCIAL FINANCIAL SOURCES ARE SAYING THESE DAYS, AND MIGHT BE AMENABLE TO SUGGESTION IF IT WAS PUT FORTH DISCREETLY. END COMMENT.

3. ABOLAJI AND EFFIONG ASKED EMBOFF ABOUT USG STANCE REGARDING FSP. EMBOFF REPLIED THAT DEPARTMENT AND ADMINISTRATION SYMPATHIZED WITH FMG'S DESIRE NOT TO BE PENALIZED ALONG WITH OTHER OPEC MEMBERS FOR AN EMBARGO IN WHICH NIGERIA DID NOT PARTICIPATE. HOWEVER, CHANGE WOULD REQUIRE LEGISLATIVE ACTION ON PART OF CONGRESS, AND THIS WAS WHERE THE DIFFICULTY LAY. CONGRESSMEN RESPOND TO THE CONCERNS UNCLASSIFIED

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OF THEIR CONSTITUENTS, AND AT THE MOMENT U.S. VOTERS ARE CONCERNED ABOVE ALL ELSE WITH THREAT OF INFLATION. ALL OPEC MEMBERS, REGARDLESS OF WHETHER OR NOT THEY PARTICIPATED IN 1973 EMBARGO, ARE ASSOCIATED IN THE MIND OF THE AVERAGE VOTER WITH HIGH OIL PRICES AND THUS WITH PRESENT DANGER FROM INFLATION. THEREFORE, IT IS DOUBTFUL THAT ANY CONGRESSMAN, HOWEVER CLOSELY HE MIGHT BE INVOLVED WITH AFRICAN AFFAIRS, WOULD CONSIDER THAT HE HAD MUCH TO GAIN AT THIS PARTICULAR TIME BY SPONSORING LEGISLATION TO INCLUDE NIGERIA IN GSP, AND HE MIGHT EVEN CONCLUDE THAT TO DO SO WOULD JEOPARDIZE HIS CHANCES FOR RE-ELECTION IN A CLOSE RACE. MOREOVER, THE CONGRESSIONAL CALENDAR WAS SO CROWDED THAT EVEN IMPORTANT ITEMS OF DOMESTIC CONCERN WERE BEING SIDELINED IF THEY APPEARED CONTROVERSIAL ENOUGH TO RISK THE DELAY OF EXTENDED DEBATE. IN SUCH A SITUATION, LEGISLATORS WOULD NOT SPONSOR ADDITIONAL BILLS UNLESS CONVINCED THEY WERE OF VITAL IMPORTANCE TO THEIR OWN CONSTITUENTS. IN ANY EVENT, EXCLUSION FROM GSP HAD LITTLE IF ANY PRACTICAL IMPACT ON NIGERIA'S EXPORTS TO THE U.S. ABOLAJI AGREED BUT SAID THE PRINCIPLE OF GSP WAS

IMPORTANT, EMBOFF CONCLUDED THAT THE FMG COULD BE
SURE THE DEPARTMENT APPRECIATED ITS CONCERN AND
WOULD CONTINUE TO MAKE THE POINT WHENOEVER GSP WAS
DISCUSSED.
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